

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN **HB** PUBLICATION

Alcohol ingredients published by consumers

WASHINGTON, DC — Since the government does not require alcohol ingredient labeling, a consumer group has taken matters into its own hands and published a book listing many of the ingredients found in several types and brands of beer, wine and liquor.

"Chemical Additives in Booze" is the Center for Science in the Public Interest's (CSPI) latest effort to inform the public about alcoholic beverages' ingredients, additives and calorie contents, as well as the financial profiles and addresses of the country's largest beverage manufacturers.

CSPI has long lobbied for

ingredient disclosure and sued the Bureau of Alcohol, Tobacco and Firearms (ATF) last March after it rescinded a proposed ingredient labeling rule which would have taken effect Jan. 1, 1983. That suit is still pending in the federal district court here.

CSPI Executive Director Michael Jacobson said that over a million people are allergic to substances in beer, wine and liquor. But in "abandoning a regulation requiring ingredient disclosure, our government says we have no right to know what specific chemicals appear in our alcoholic beverages."

(Continued on page 32)

BI Package of the Week



Carrier features quality graphics at lesser price

LIONVILLE, PA—The Container Corp. of America (CCA) and the Seven-Up Co. have developed a new package for 16 oz. non-returnable glass and .5-L PET containers that is made of plastic and paperboard.

VersaClip has the graphics opportunities offered by paperboard wraps, but at a lesser price.

The package is made of low density polyethylene, covered with 18 point beverage kraft

(Continued on page 32)

MANDATORY DEPOSITS: Dark clouds on the horizon

By Gary Hemphill, Associate Editor

SPECIAL REPORT—In spite of four defeats in the November election, the prospect of forced deposit laws hangs ominously over the heads of bottlers like a huge rain cloud.

"It's a never ceasing polit-

ical skirmish," said John Downs, manager of state and local affairs for the National Soft Drink Association (NSDA).

Arthur Stupay, a market analyst and partner at Prescott, Ball and Turben in

Cleveland, said word is the states that failed to pass the law in November—Arizona, California, Colorado and Washington—will try to put it on the ballot again.

"Extremist groups won't

(Continued on page 18)

BI Week

• At presstime it appeared that G. Heileman had been successful in its bid for Pabst. As of Dec. 22, withdrawal date for the firm's tender offer, it had received approximately 6.7 million of Pabst's 8.2 million outstanding shares. Heileman's offer of \$32 a share was topped by Paul Kalmanovit, General Brewing, at the last minute for the \$40 offer evidently had no effect.

The battle for control of Pabst had been taking place for almost a year and involved a number of financial concerns. Irwin Jacobs, a dissident shareholder, had been in the fray since almost the beginning. Under an agreement with Heileman, Jacobs legal expenses will be paid. Jacobs shares—approximately 14% of the

(Continued on page 17)

FDA proposes labeling exemption for canners

WASHINGTON, DC — The Food and Drug Administration (FDA) has proposed a labeling exemption that would allow soft drink canners to list the name and address of manufacturers, packers and distributors on the can lid instead of the principal display panel.

FDA is permitting the proposed exemption, which puts the canners on equal footing with bottlers, to now be in effect although it is accepting comments on the plan until January 17. A petition from the American Can Co. is said to have initiated the proposed exemption.

The agency claims a final rule will take effect upon publication. The National Soft Drink Association which has supported the plan in the past, sees no impediments to the rule being issued shortly,

"particularly in light of the fact that FDA is permitting the exemption to take effect immediately."

Under the plan, information on the can lid with the

(Continued on page 28)

HFCS replaces sucrose as no. 1 sweetener

WASHINGTON, DC—In tune with a trend over the last few years, the soft drink industry's use of cane and beet sugar has been declining, while its use of high fructose corn syrup (HFCS) has been rising, reports the Agriculture Department (USDA).

Estimates for the industry's sucrose consumption for 1982 hover around 1.72 million short tons, compared

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Contents

Forced deposit laws could become reality

In a special BI report, the prospect of forced deposit laws is discussed. The four state legislatures of Arizona, California, Colorado and Washington all failed in bids to pass the laws last November, but are said to be trying to put them on the ballot again.

Nine states now have such deposit laws: Oregon, Vermont, Delaware, Connecticut, Iowa, Massachusetts, New York, Maine and Michigan. Laws in Delaware, New York and Massachusetts all went into effect this month.

The BI report says laws vary from one-tier, those which have one deposit for all containers, to two-tier, those having different deposits for one-way containers and returnable containers.

"It's a never ceasing political skirmish," John Downs, manager of state and local affairs for the National Soft Drink Association (NSDA), told BI. Downs also offers more information throughout the report, as does Arthur Stupay, a market analyst and partner at Prescott, Ball and Turben, Cleveland.

For more information on this subject which affects all bottlers, see page 1.

Alcoholic contents published in book

Since the federal government does not require alcohol ingredient labeling, a consumer group has taken matters into its own hands and published a book listing many of the ingredients found in several types and brands of

beer, wine and liquor.

The Center for Science in the Public Interest (CSPI) has written and published "Chemical Additives in Booze," a new effort to inform the public about alcoholic beverages' ingredients. Financial profiles and addresses of the country's largest beverage manufacturers are included in the book.

After contacting many brewers and vintners, CSPI managed to list some or all of the ingredients of over 50

brand name beverages. CSPI has long lobbied for ingredient disclosure and sued the Bureau of Alcohol, Tobacco and Firearms (ATF) last March after a proposed ingredient labeling rule was rescinded. It was due to go into effect Jan. 1.

To obtain more information on the CSPI publication, see page 1.

Pres. of Detroit Coke speaks on deposits

Stuart W. Giller, president of the Coca-Cola Bottling Co. of Detroit, spoke at this year's NSDA convention in Atlanta

on the prospect of living with deposit laws.

Giller summarizes that the deposit law has been a very costly, ineffective way to reduce bottle and can litter, save energy, create jobs and lower prices. He maintains that the bottler would need more trucks, more production equipment, more warehousing space, more hourly employees and lower volume of sales.

For the retailer, Giller says, the law means more employees, shelf space problems, unsanitary store conditions, reduced back room space and lower volume.

For the consumer, inconvenience of returning all bottles and cans, limited product selection and higher prices. He suggests a litter/control/recycling law. For more details of Giller's proposals, see page 4.

NSDA coverage is continued

Booth-by-booth coverage continues in this issue of BI.

Flooring, recycling and conveyors are covered, as well as trucks, quality control and computers.

For a look at those exhibitors' displays see page 27.

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Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

An (HBJ) PUBLICATION

Living with forced deposit 'a nightmare': Giller

By **Stuart W. Giller**, president, **Coca-Cola Bottling Co.**, Detroit, MI

Editor's note: This article is an adaptation of a presentation by Stuart W. Giller given at the recent NSDA meeting. His remarks have been edited to conform to *Beverage Industry* style.

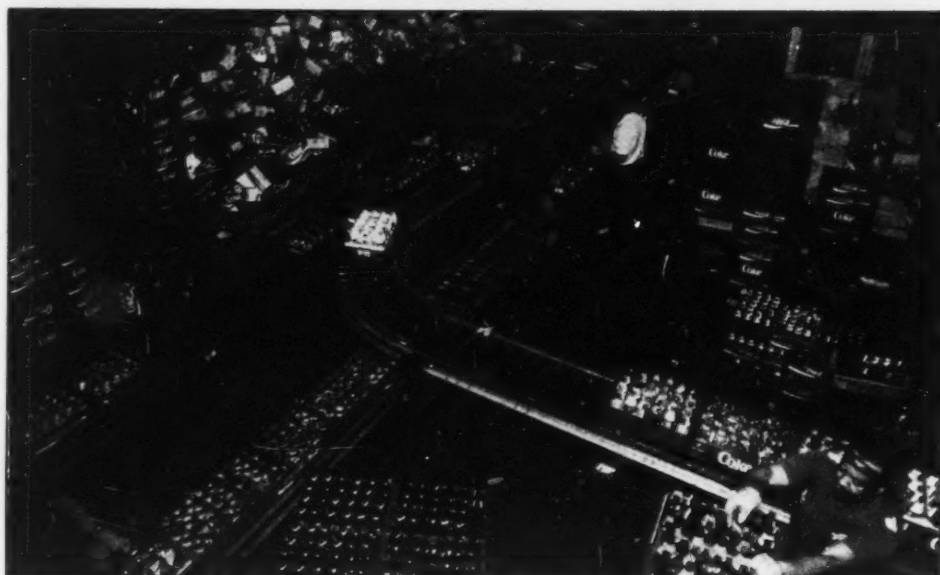
Greetings from Michigan where we eat, drink and sleep with the deposit law. I don't count sheep. I count empty bottles and cans on a never ending conveyor belt. It's a recurring dream ... or should I say nightmare. The bottles and cans just keep coming back.

I've been in, and out, and back in this business over 20 years and thought I'd seen and experienced every type of problem or inconvenience in-

volved with manufacturing our products and delivering them to customers. I admit now I've seen everything. A forced deposit law is like a tornado. You may know it's coming. But not exactly when. And you don't know the extent of the damage it can cause, until it hits. After it hits, there's a lot of garbage to be cleaned up.

And guess who gets to clean it up? We, the people of the beverage and beer industries. We all become garbage collectors and recyclers, in addition to being manufacturers, marketers and distributors.

Our deposit law in Michigan was effective December 1978. And specifically, De-



Employees sort returnable bottles at the Coca-Cola Bottling Co., Detroit. When the forced deposit law went into effect in Michigan, more employees had to be hired.

troit, a market of over 4.5 million people, was the first major metropolitan area to be plagued with such legislation. The law requires that every beer or soft drink container sold in Michigan carry

a 10-cent deposit (5 cents if it can be used by more than one manufacturer.) Consumers pay the deposits when they buy the beverages. They collect the refunds when they return the empty containers.

In Michigan those empty containers are all sizes of glass bottles, plastic bottles and cans. Retailers must redeem every brand and size they sell regardless of whether

(Continued on page 8)

Hudepohl expands market for super premium beer

CINCINNATI—The Hudepohl Brewing Co., located here, took its super premium beer, Christian Moerlein, to Dayton, Columbus, Toledo and Lexington recently, backed by advertising and promotional support in each city.

Christian Moerlein has been available in the greater Cincinnati area since its introduction in September

1981. Company officials maintain the product sold so well in Cincinnati last fall that the small brewery literally ran out, underestimating the initial sampling and popularity.

The advertising slogan, "Quite Simply, a Better Beer," has continued into 1982 and will be used in new markets, namely the afore-

mentioned areas, for regional Christian Moerlein expansion.

Hudepohl spent approximately \$250,000 for the six-week advertising blitz, which began in mid-November. In addition, local distributors planned holiday in-store displays and special promotions.

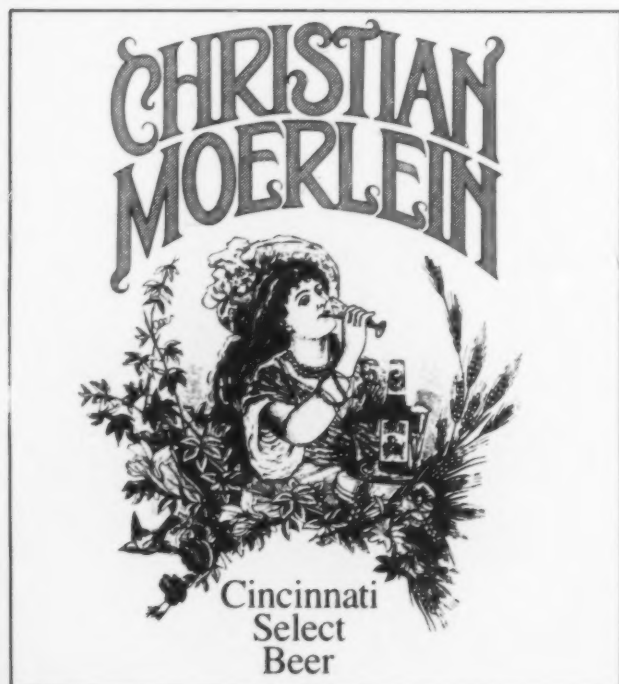
"This is a special beer with a very different taste and expensive ingredients," says Robert L. Pohl, executive vice president and general manager. "It was well-received in Cincinnati, and we hope consumers in other parts of Ohio and Kentucky will enjoy it just as well."

Christian Moerlein is named after Cincinnati's most famous brewer and his family-owned brewery, which was the largest in Cincinnati and the state of Ohio during the 1800's.

Hudepohl revived the name for its first entry in the super premium beer market last year.

The packaging is designed from an original 1890's ad from the old Christian Moerlein brewery. It received numerous packaging awards during the past year, including "Package of the Year" by Cincinnati Magazine. In addition, the beer received the Marketing Award of the Year by the Cincinnati chapter of the American Marketing Association.

Christian Moerlein bottles
(Continued on page 32)



Logo for Christian Moerlein

Invisible bond proves economical for Shasta

LA MIRADA, CA—Shasta Beverages Inc., located here, recently adopted a new method of unitizing pallet loads. That system has shown Shasta a savings in both labor and material costs while eliminating product damage to shipping loose pallets.

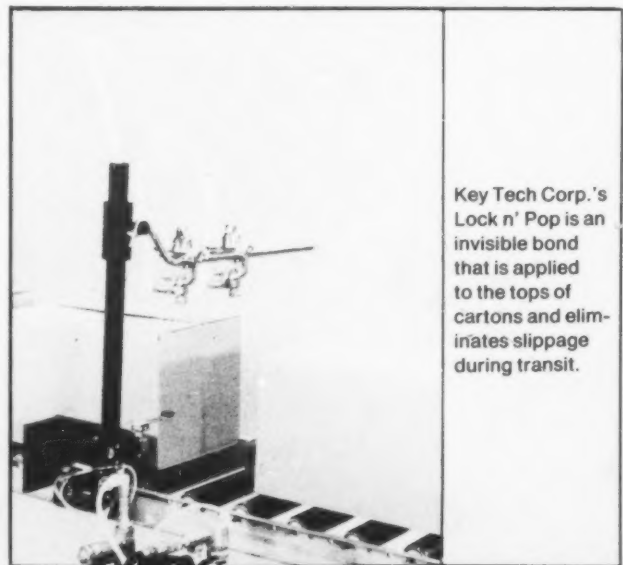
According to Production Manager Bruce Ross, La Mirada Shasta formerly used plastic strapping tape with an adhesive on one side to hold pallets together.

"We taped the top layer of the pallet and ran a diagonal

strip around it," he said. "This method was not satisfactory, especially for our plastic bottles. Since the plastic bottles are so light, the cartons had a tendency to slide around during shipment which caused us to lose the locking pattern on the pallet," he explained.

Consequently, La Mirada Shasta began using Key Tech Corp.'s Lock n' Pop spray-on invisible bond which, when applied to the tops of cartons, eliminates slipping during transit.

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Key Tech Corp.'s Lock n' Pop is an invisible bond that is applied to the tops of cartons and eliminates slippage during transit.

Living with a deposit law

(Continued from page 4)
er they sold the actual containers being returned. (Broken bottles are excepted.) Recently enacted, corrective legislation requires that the containers must be clean, and a retailer is not required to

accept more than \$25 worth of containers from any customer at one time.

Other states offer variations of this theme. Some exempt 64-ounce plastic bottles or aluminum cans or require the bottler to pay the retailer



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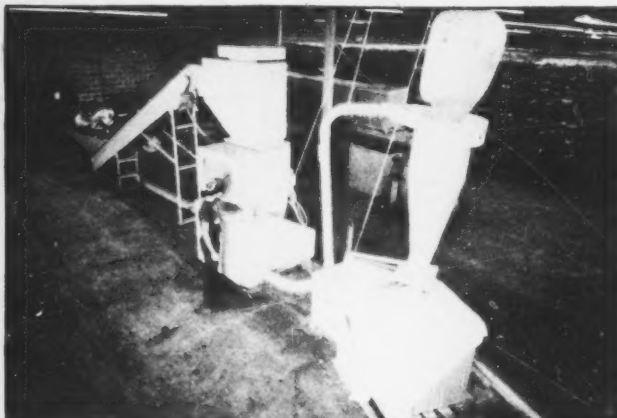
Bottlers must supply can catchers to retailers so they can collect the cans.

a handling fee. The variety of laws go on and on.

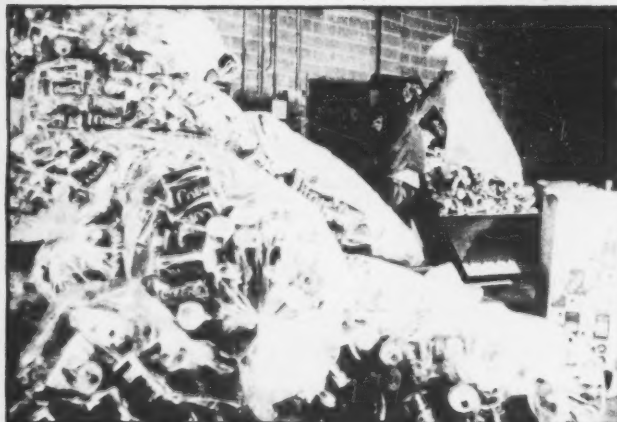
The deposit laws which have hit Michigan, Oregon, Vermont, Iowa, Maine, Connecticut, Delaware, Massachusetts and New York, affect virtually every person in the state who produces, sells or buys beer or soft drinks. I would like to describe the *Odyssey* that we in Michigan have experienced and what

increased our fuel usage. We've found it economical to convert to diesel fuel. The trucks used to return from a route empty or with a small amount of product. Now, since the drivers not only deliver product, but pick up an equivalent number of empties, they return with a heavy load of empty glass bottles, plastic bottles and cans. All of these empties are unloaded, checked in, and sorted by additional unskilled employees, which we have added.

The cartons are also sorted since many customers have returned our empties in somebody else's cartons. We discard those and, of course, replace them with our own at a cost of about 15 cents each. Now the recycling process begins. The plastic 2-L containers go directly to the plastic granulator unit which you will need if you're in a deposit law state. The plastic containers are pulverized and hopefully all of us can continue to find a market for the



PET containers go through the plastic granulator unit, above, and, below, returned cans take up valuable space in the bottler's plant.



you could expect, should a deposit law be enacted in your state. The bottler, distributor, retailer and consumer all become victims of what has been termed "discriminatory legislation".

First, let's take a look inside the plant or distribution center, depending on how your operation functions, after the deposit law.

We had to invest in more and larger 14 and 16-bay trucks because the volume handled per vehicle was dramatically reduced.

The combined load of heavier fulls and empties plus more frequent deliveries

scrap. We have found the demand for granulated plastic has been all but eliminated. We soon may have to pay to have it hauled away or haul it away ourselves... to another state... as the environmentalists now say we can't dispose of it in Michigan.

What about the cans? Like the plastic containers they must be recycled. You haven't really "lived" with the deposit law until you've crushed cans. The cans come back to us in the large plastic bags we supplied to the retailer for a 35-cent deposit. The retailer puts them in a can catcher which is a carton

we provide to him free of charge to put in his store to collect our cans. The plastic bags theoretically hold 240 cans when filled to the "full" line. We buy back 240 cans in a bag. Or 230; or 235. Whatever the retailer decides is a full bag. Nevertheless we have to pay for 240 cans in a bag or count them on the spot with our \$14 per hour delivery driver. Our company experiences a 4% loss from short can bags, which translates into approximately a \$96,000 loss per million cases of cans sold. This cost is somewhat offset by the cans we never get back.

There's *nothing* we can do, short of telling the retailer *he can't count*. Maybe the miscount was accidental or he shorted us on purpose. Either way, we lose. After the empty cans are unloaded from our delivery trucks and spot checked, they go directly to the can crusher. You will definitely need a can crusher if you have a deposit law. The crushed cans are hauled away by a recycling company which pays us for the aluminum. However, recently prices on aluminum have been falling, so who knows how long the scrap aluminum market will exist?

sanitizing bottles

Recycling returnable bottles is a very time consuming process. In plant, they're initially sorted by brand and size. This happens at our distribution centers or could be done at the production facility with even more disruption. Now, *you may have forgotten* the soaker for cleaning and sanitizing. Put a soaker on your list of equipment to buy. Remember, we're back in the returnable bottle business and, don't forget a labeler if you're not using ACL bottles for all of your brands.

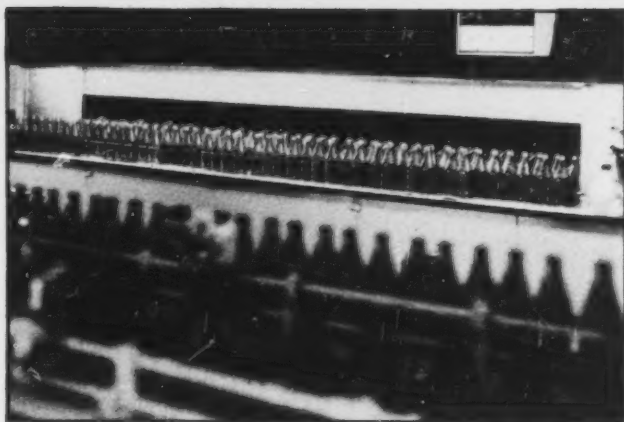
Of course, if you don't want to sort 38 different bottles for all your brands, put a "generic" bottle float on your shopping list.

In addition to the production equipment needed, our experience has shown you can count on the following when you convert to accommodate a deposit law:

- Adding 35% more route trucks due to more, shorter routes and more returnables;
- Adding 60% more warehouse space for new equipment, sorting lines, returnable bottles and recycling operations;
- Adding 25% more hourly employees including drivers, sorters, warehousemen and others involved in recycling.

You can also expect:

- An 18% decline in your first year volume as a result of higher prices, less products available on the retailers' shelves, and consumers switching to alternative beverages.



Bottlers in forced deposit states will have to invest in a soaker.

tra space—space in the front of the store for customers to return bottles and cans—and space in the backroom where the returnables are sorted and stored until the bottler picks them up. The plastic-lined “can catchers” provided by the bottlers, take valuable space that could be used to display merchandise. Dirty cans and bottles cramped in the backroom with food create sanitation problems. The retailer must call an exterminator twice as often.



Returned bottles cause a space and sanitation problem for retailers.

• A 19% increase in retail prices because of additional costs incurred by you the bottler, the distributor and the retailer to comply with the law.

Additional costs not included here are:

- Your increased fuel costs to operate more trucks;
- The cost of supplies you provide to the retailer, such as “can catchers” and plastic bags;
- The cost of replacement cartons.

Overall industry's productivity is down 50% and delivery costs up 50%.

Now, a major consideration to you as a bottler is the effect the law has on your product mix. The convenience or non-refillables dominated the market from 1975 to 1978. And by the end of 1978, when Michigan's law became effective, the refillables' share increased 5%, taking away from both non-refillables and cans. Looks pretty insignificant so far; but in 1979, the first complete year after the law was in effect, refillables jumped 60% to 69.3% of market from 9.2% the previous year. Non-refillables dropped from 74.4% to 17.1% and cans down from 16.4 to 13.7%. Are you ready for your market to be turned inside out?

Now, let's focus on what happened in the Detroit market six months before and six months after the law went into effect. The convenience or non-refillable share remained rather consistent from June to September of 1978. A slight decrease took place in October and November, just prior to the law's becoming effective in December. But, from December of '78 to May of 1979, refillables totally dominated the market. This huge increase of returnables happened literally overnight. Again, are you prepared for waking up to returnables? It won't be a dream.

Now, we'll move from our bottling and distribution operations to the retail level. What's really happening at the retail level? The independent grocer is totally bottled in. One set of laws says he must keep a clean, sanitary store, and the other says

he must accept everybody's garbage. He has to create ex-

tra space—space in the front of the store for customers to return bottles and cans—and space in the backroom where the returnables are sorted and stored until the bottler picks them up. The plastic-lined “can catchers” provided by the bottlers, take valuable space that could be used to display merchandise. Dirty cans and bottles cramped in the backroom with food create sanitation problems. The retailer must call an exterminator twice as often.

tailer needs more employees, probably his biggest expense. Farmer Jack Supermarkets,

Detroit's largest supermarket chain, of 85 stores had to
(Continued on page 13)

more employees

“All I wanted was a computer to handle General Ledger, Route Settlement, Inventory Control, Bank Reconciliation, Payroll/Personnel, and more. Was that asking too much?”

—Bob Deligiannis, Pepsi Cola
Franklin, Pennsylvania

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which he didn't expect any computer to do, like updating bottling line efficiency, and tracking advertising allowances and case sales.

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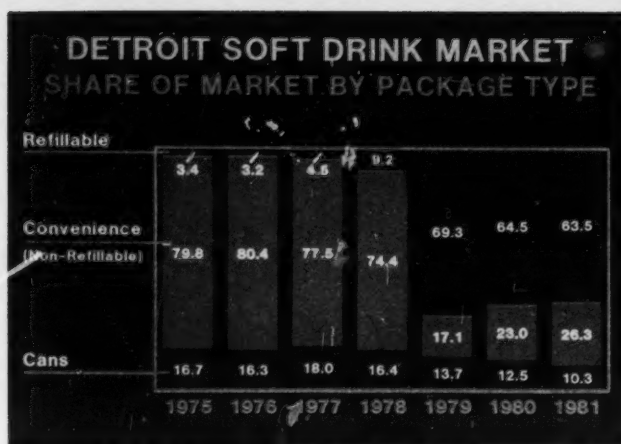


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Living with a deposit law

(Continued from page 9)

add nearly a dozen employees per store to handle returns. A second retail report estimated that in another Detroit supermarket chain 83 hours per store per week were needed to handle returned bottles and cans. That amounts to \$50,000 per year per store.

Did the sales of beer and soft drinks increase to offset these additional expenses? Hell no, they didn't! The retailer loses sales for a variety of reasons, such as:

- The price — His margin now jumps to 28%. He claims this barely covers the increased costs. Outlets near state borders with no deposit law lose 50 to 80% of their sales. Their customers will sneak across state lines to buy less expensively, but will probably return these empties to them for refunds;

- Shelf space is limited — Refillable bottles take 40% more space;

- Elimination of brands and sizes — Due to a crowded storage space in the backroom and shelf space up front, low volume brands must be discontinued. The bottler also loses here. We decreased our number of bottle and can packages from 72 in 1980 to 39 in 1982, to cope with the law.

- Resort area retailers will get an over abundance of empties purchased somewhere else that tourists don't want to take home. He handles the empties but doesn't get all the sales.

mobile market

The mobile market is similarly affected. Just because the soft drink comes from a machine, doesn't mean that it will be any cheaper. Let's not forget the deposit must be covered. Here, the consumer pays 75¢, and the dealer reevaluates the wisdom of continuing to sell bottles and cans. And, for the restaurants and bars, customers used to enjoy their favorite drink poured from a can or bottle. With the deposit law the restaurant owner finds it more cost effective and convenient to use a fountain dispenser. And the bottler loses.

Let's see if the consumer is benefitting like the proponents of the deposit law said they would. Consumer groups fought to have this law passed, only to realize later they would be confronted with:

- Higher prices due to deposits he must pay and handling costs along the way. Driving across state lines to

national average in 1980;
 • 36.3% higher in 1981;
 • 36.4% higher in 1982.

Now 6 packs of 12-ounce cans. Detroit metro prices were:

- 14.1% higher than the national average in 1980;
 • 19.1% higher in 1981;
 • 28.1% higher in 1982.

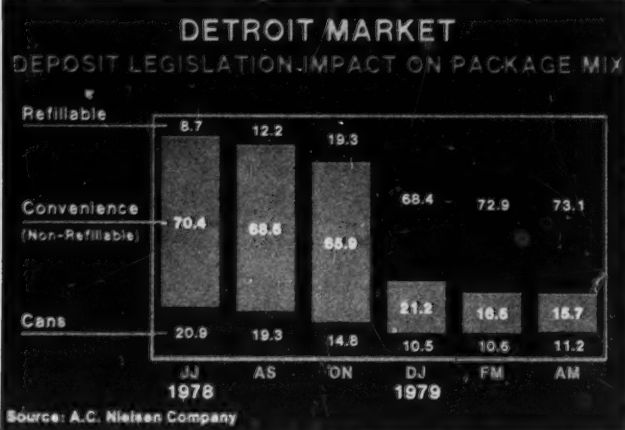
As for the single 2-L PET bottle, Detroit metro prices were:

- 19.5% higher than the national average in 1980;

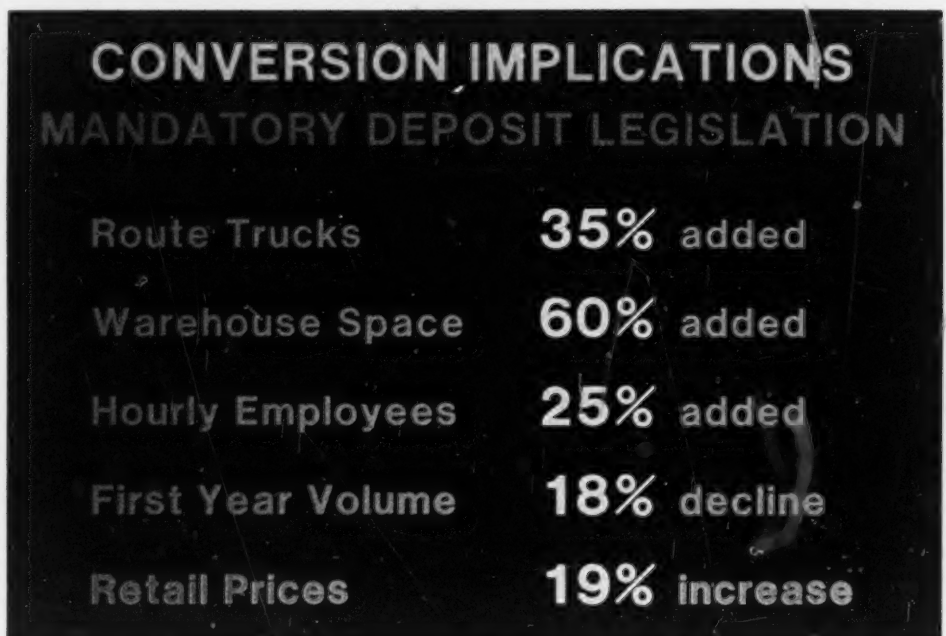
cause of lower volume;

- Retained earnings will be eaten away;

- Proponents of the deposit bill will argue that the unclaimed deposits from those bottles and cans never returned will offset your operating expenses. We know it isn't so. These same proponents also believe that the unclaimed deposits rightfully belong to the state or the consumer and are trying to take them away from the bottler.



Source: A.C. Nielsen Company



no deposit law states to buy beer and beverages less expensively. Converting to less desirable non-carbonated beverage or powder whose price is not affected by the deposit law;

- Inconvenience of returning all containers. There's no easy way to return 2-L bottles or cans, even glass bottles can be a real juggling act;

- Limited product selection. Due to lack of space at retail level many "old-favorite" brands in the root beer and fruit flavor categories are eliminated.

Here is some specific information on the effect of the Michigan deposit law regarding pricing, sales volume and market growth.

First. Let's look at retail soft drink prices 8 pack 1/2 liter/16 oz. returnables. Detroit metro prices were:

- 30.4% higher than the

- 22.2% higher in 1981;
 • And 14.3% higher in 1982, exhibiting an 8.4% decrease from '81 to '82 due to intense discounting and price-promoting on the "easiest to handle" package.

Now you can clearly understand why soft drinks experienced an 18% decline in sales volume the first year of the law. This graph charts the Detroit soft drink market sales volume from August 1978 to August 1980, when the industry lost 33% of its sales. August 1980 to August 1981 produced flat sales and finally from August 1981 to August 1982, we began to experience a very small increase.

How about the income statement and balance sheet?

- Expenses will soar due to employee and equipment additions;

- Revenues will decline be-

Currently legislation has been proposed in this direction.

Why in the world are we living with the deposit law? In Michigan, the politicians, environmentalists and 64% of our voters passed this law in 1976, with the strong belief this almighty law would re-

duce our litter and solid waste, save energy, create jobs and lower prices.

What has this deposit law done in Michigan to reduce litter? Statistics show that bottle and can litter has been reduced by nine million containers. These nine million containers represent less than one quarter of one percent of the containers sold in Michigan last year. And it cost the industry and the consumers \$300 million. It's like killing a fly with a sledgehammer. Overkill is an understatement.

According to one 1981 report, beverage containers represent less than 12% of the nation's total urban street litter and only 20.3% of all rural highway litter. If deposit laws could eliminate all beverage container litter — which they can't and don't — at least 88% of the urban street litter and almost 80% of the rural highway litter would remain. Even though bottle and can litter was reduced in Michigan following the deposit law, total litter actually jumped between 5.6 and 22.5% depending on the type of litter measurement used. And Michigan taxpayers must spend increasingly more for litter abatement each year. Deposit laws do reduce bottle and can litter, but ignore other types of litter, including paper which is the worst offender.

jobs affected

Proponents of the forced deposit law promised that passage would create jobs. It did create several thousand unskilled sorting and handling jobs in the plant and at the retail level, at the expense of eliminating thousands of skilled bottle and can manufacturing personnel due to plant closings or decreased business. That small net gain of total jobs was lost to much higher consumer prices and extra fuel consumption.

And, speaking of energy. The law was supposed to save energy. No doubt the Michigan beverage industry has saved some energy due to the recycling of aluminum cans. Alcoa claims energy expended in making aluminum sheet from recycled material is 95% less than that re-

RETAIL SOFT DRINK PRICES 6 PACK 12 OZ. CANS

	National Average	Metro Detroit	Detroit vs. National
1980	\$1.91	\$2.18	+14.1%
1981	\$1.99	\$2.37	+19.1%
1982	\$1.99	\$2.55	+28.1%

Source: A.C. Nielsen

RETAIL SOFT DRINK PRICES SINGLE 2-LITER PET BOTTLE

	National Average	Metro Detroit	Detroit vs. National
1980	\$1.28	\$1.53	+19.5%
1981	\$1.32	\$1.62	+22.7%
1982	\$1.33	\$1.52	+14.3%

Source: A.C. Nielsen

quired to make the aluminum from iron ore.

Michigan beer and soft

drink distributors, unfortunately, have increased their gasoline and diesel fuel con-

sumption due to more and larger trucks, more trips and heavier loads, since implementation of the law. Each soft drink case requires 32% more fuel, the Can Manufacturers Institute estimates. It was also estimated that our industries in Michigan would use 325,000 more barrels of oil in 1979, the year following the law. All estimates aside, I do know our company consumed in 1979 22% more gasoline and diesel fuel for delivery and 30% more water and 25% more energy in production. Clearly, we haven't come out ahead in the energy savings game.

And last, but not least, the

RETAIL SOFT DRINK PRICES 8 PACK 1/2-LITER / 16 OZ. RETURNABLE

	National Average	Metro Detroit	Detroit vs. National
1980	\$1.94	\$2.53	+30.4%
1981	\$2.01	\$2.74	+36.3%
1982	\$1.95	\$2.66	+36.4%

Source: A.C. Nielsen

deposit law was passed to lower prices. I can't think of one example of lower prices

in Michigan. Basic economics dictate the *percentage increase in price*, directly corresponds to the *percentage increase in costs* incurred by the manufacturers, distributors and retailers to operate under the deposit system.

summary

To summarize, the deposit law has been a *very costly, ineffective* way to reduce bottle and can litter, save energy, create jobs and lower prices.

The bottom line for the bottler is more trucks, more production equipment, more warehouse space, more hourly employees and lower volume.

For the retailer, more employees, shelf space problem, unsanitary store conditions, reduced backroom space and lower volume.

For the consumer, inconvenience of returning all bottles and cans, limited product selection and higher prices.

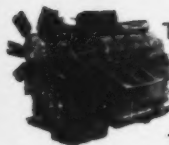
Is there a more *effective alternative*? Yes — It's called the litter/control/recycling law and it's being implemented in 11 states currently. Washington was the first in 1972 and is probably to date the *finest* in the country. Under this comprehensive law, the state administers the total program including public re-education and distribution of receptacles to public places, and, enforcement. In Washington, for example, you must have a litter bag in your car or boat or be fined. The program costs Washington \$12 million per year and it works. *Roadside litter was reduced 90%* the first year and now the amount of litter is *27% less than neighboring Oregon*, which has a *mandatory deposit law*. The recycling industry has grown, employing more than 4,000. Who pays for this type of law? You do. The Washington program is partially funded by a tax on the manufacturers and sellers of the products which generally contribute to litter. Beverage companies pay 70% of this tax. If this law were to be implemented in Michigan, the beverage companies' share would amount to *less than 1% of the cost of compliance with the existing deposit law*. The

(Continued on page 32)

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Unitog celebrates 50th

KANSAS CITY, MO—Unitog Co., manufacturer and rental supplier of industrial work apparel, celebrated its 50th anniversary in business in 1982.

The corporate structure of the company consists of seven manufacturing plants, three warehouse distribution centers and a nationwide network of 12 rental system locations. The company reports its annual revenues are approaching \$70 million and employs approximately 2,000 people.

The company was founded in 1932 by Arthur Dutton Brookfield, a graduate of the University of Michigan. Business was low in those days, the company says, and Brookfield had a hard time financing the company since he'd never owned his own business before.

His fledgling company was aided by an "image-making concept": a neatly tailored one-piece coverall for automotive service station attendants was designed to give instant identity to the oil companies and Unitog maintains this concept is still

in effect today, since the company services the beverage, oil, utilities and mail industries.

Unitog started with a basic three-item product line—the coverall, a service station grease coat and a cap. Its target market began with the petroleum industry, but soon branched out into others, including, of course, the beverage industry. By 1941,

Shasta

(Continued from page 4)

After cases are sealed, they are transported about 300 ft. via an overhead conveyor to an FMC semiautomatic palletizer. While the cases are on the conveyor, they pass an applicator that sprays a 2 in. wide strip of Lock n' Pop on the top of each case. "The width of the strip can vary, depending on how you set the applicator head," Ross explained. "The Lock n' Pop is still wet when it comes in contact with the case over it. As it dries, the material forms a bond between the two cases."

Brookfield-Garrison Manufacturing Co. was formed, an equal partnership with Garrison as plant manager and Brookfield in charge of sales. In 1947, the plant became a wholly-owned Unitog subsidiary.

The uniform rental field proved to be a highly profitable segment within the company, with earnings from the Unitog Rental Services Division now representing 50% of the company's total revenue.

After Lock n' Pop is applied, the palletizer then places cases onto the pallet. Pallets are picked up by forklift at the discharge end of the conveyor and brought to the warehouse until ready for shipment.

"The system is completely automatic so we've saved on labor, too," said Ross. "Conversely, our old method of unitizing required one extra person per shift to apply the tape."

According to Ross, the cost of strapping tape was a big factor in the decision to switch unitizing methods.

"It cost us \$800 for 10 cases of tape with one roll of tape

used for every 12 pallets," said Ross. "Key Tech's Lock n' Pop, on the other hand, costs us about 25 cents per pallet so we have realized a considerable savings in material costs as well," he said. "There's 144 rolls of tape in a case and each roll costs us about 43 cents."

In addition said Ross, the Lock n' Pop material leaves no build up or sticky deposits; does not abrade container surfaces; operates in all temperatures and environments; and does not interfere with inks or graphics.

"Even though the Lock n' Pop holds cartons horizontally in place, the cartons can be freed easily by a simple lifting motion," said Ross.

"At first, our drivers did not believe that Lock n' Pop could hold a pallet together that weighs almost 1500 lbs. But now they are sold on Lock n' Pop, too," he added.

According to Ross, the initial investment is extremely low and the system has already paid for itself from the standpoint of labor and material savings.

• For more information on Key Tech Corp.'s Lock n' Pop, circle 221 on reader service card.

Hudepohl

(Continued from page 4)

are made by Thatcher Manufacturing of Greenwich, CT. Gamse Litho, Baltimore prints the beer label, while the crown is manufactured by Zapata, Inc., Frackville, PA.

Wabash, Inc. is responsible for making the case Christian Moerlein is sold in and the basket is manufactured by Manville Forest Products.

According to the company, the brewery is one of the few surviving small breweries in the U.S., brewing less than .5 million barrels per year.

"We do not have national expansion plans for Christian Moerlein or any other beers brewed by Hudepohl," Pohl revealed. "We are proud that we are a small brewery, surviving in the midst of mergers and corporate giants."

• For more information on Thatcher Manufacturing, circle no. 222 on reader service card; for Gamse Litho, circle no. 223; for Zapata, circle no. 224; for Wabash, circle no. 225; for Manville Forest Products, circle no. 226; for Christian Moerlein, circle no. 227.

Labels

(Continued from page 1)

ages." But after contacting many brewers and vintners, CSPI managed to list some or all of the ingredients of over 50 brand name beverages. While "some companies were quite cooperative, most refused to divulge their ingredient list. With the help of our members," he said, "we were able to compile these findings."

CSPI says it plans to expand and update the book "until such time as all alcoholic beverages bear complete ingredient lists on their labels." In the meantime, its book advocates that the government "certainly require disclosure of the coloring FD&C Yellow No. 5 as well as the preservative potassium metabisulfite" which CSPI claims have proven to cause allergic or asthmatic reactions in sensitive individuals. The Food and Drug Administration already requires the listing of Yellow No. 5 on foods, but not on alcoholic beverages, which ATF regulates.

The United States Brewers Association supported malt beverage ingredient labeling when ATF first showed an interest back in 1982. But since the proposed labeling rule was rescinded, the brewers have not pushed for its resurrection. Still, USBA maintains that the primary ingredients in beer are already listed on the label, as are the caloric contents for light beers.

Carrier

(Continued from page 1)

paper. It is produced by inserting a printed paperboard blank directly into an injection mold. The package meas-

BI Package of the Week

ures 4½ x 7½ in. and is 2 in. high.

Seven-Up is test marketing the package in Louisville, KY, and Philadelphia, PA. Although results of the testing are not expected until the end of the month, so far it's been a success, according to John Blousum, national marketing manager for CCA.

Seven-Up has the exclusive rights to VersaClip in 1983, but in 1984 it will be available to all bottlers, Blousum said.

If test markets are successful, the package will be available to all Seven-Up bottlers by mid-year.

The package, which is the product of about two years research, is cheaper than paperboard wraps because less paperboard is used, but it's still slightly more expensive than plastic multi-packs.

Blousum said the new package can be applied with existing clip application equipment with only minor adjustments.

Other advantages of the carrier are:

- The same size carrier works for both 16 oz. non-returnable glass and .5-L PET bottles;

- Its large two-finger handle allows for more com-

fortable carrying, and;

- Bottles can be removed and replaced without damaging the container.

Blousum said the package was greeted enthusiastically at the National Soft Drink

Association convention in Atlanta in November.

• For more information on the VersaClip, circle no. 228 on reader service card.

HFCS

(Continued from page 1)

with 1.85 million in 1981, 2.16 million in 1980, 2.4 million in 1979 and 2.6 million in 1978.

The estimated industry use last year of the cheaper HFCS is 2 million short tons, versus 1.64 million in 1981.

Per capita sucrose use dropped 4.3 lbs. to 79.4 lbs. while HFCS and glucose consumption jumped 6 lbs. to 55 lbs.

Wholesale sucrose and HFCS prices have steadily risen over the past few years, too, the agency added. In 1981, beet sugar cost 29 cents per pound compared with 30 cents in 1980, 18 cents in 1979 and 17 cents in 1978. HFCS' wholesale price was 21.4 cents in 1981, 23.6 cents in 1980, 13 cents in 1979 and 12 cents in 1978.

The sharp wholesale price increase in 1980 reflected the "overconsumption and underproduction of sucrose that year," said a spokesman with the Sugar Association.

Deposit Laws

(Continued from page 14)

estimated cost of such a comprehensive program in Michigan would be approximately \$20 million, compared to the \$300 million it's costing industry and consumers now.

I personally think this litter control law is a viable and inexpensive alternative.

Living with the deposit law is like reconstructing after a damaging tornado. A tornado legislature along with misguided voters and can be prevented.

If you feel a forced deposit law is about to hit your state, fight it at all costs. Here's what to do:

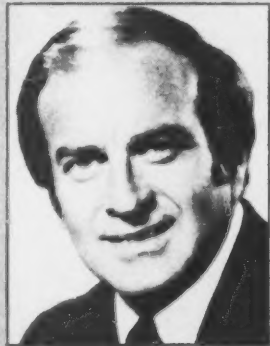
- Educate and communicate, involving both retailers and consumers. Band together with other bottlers and distributors. Share all your information with retailers. Meet with them every step of the way and you'll gain a very large and strong group of allies. Make presentations to all types of consumer groups. The proponents probably have already been there.

- Visit states that have deposit laws. Check out the bottling operations. Talk with the retailers. Do your homework. Take pictures, films, videotape. Plan with your own people your form of protection and their part in it. Visit those states such as California, Colorado, Washington and Arizona that have defeated legislation to enact such laws.

- Propose a viable alternative such as the litter/

control/recycling law. We must come up with a positive litter/control and recycling program and sell it to everyone who is affected. Only then can we concentrate all our efforts on the business of manufacturing, distributing and marketing our products ... at a profit!

About the author



Giller

Stuart W. Giller is president and CEO of Coca Cola Bottlers of Detroit, Inc. He began his soft drink career with Pepsi-Cola in 1958 as a route salesman in Akron, OH. In 1964, he became sales manager and in 1965 he was appointed vice president of marketing for Pepsi-Cola of Akron/Youngstown/Cleveland.

In 1970, he was appointed to group vice president, beverage division, of General Cinema Corp., the largest franchise bottler for Pepsi-Cola, Inc., in the United States. He is a graduate of Kent State University in journalism and business.

Package mix for beer with mandatory deposits

Package	Two tier states			Michigan (Effective 12/78)		
	Oregon (Effective 10/72)			1977	1979	1981
	1971	1977	1981			
Cans	33%	6%	31%	64%	36%	37%
One-way Bottles	19	18	16	14	21	23
Refillables	25	53	29	11	29	23
Draught	23	23	24	11	14	17
Total	100%	100%	100%	100%	100%	100%

Package	Single tier states			Connecticut (1/80)		Iowa (7/79)	
	Vermont (Effective 9/73)			1979	1981	1979	1981
	1970	1977	1981				
Cans	39%	28%	25%	33%	31%	65%	58%
One-way Bottles	45	41	51	46	42	13	12
Refillables	10	16	11	7	8	8	8
Draught	6	15	13	14	19	14	22
Total	100%	100%	100%	100%	100%	100%	100%

Source: United States
Brewers Association

Copyright: Beverage Industry
January 14, 1983

The impact of mandatory deposit laws on beer varies dramatically between one and two-tier states. Cans dropped in popularity in both types of states, but they made a comeback in two-tier states. In all of the states, draught beer gained in popularity. In addition, refillables gained dramatically in popularity at first, but then tapered off.

Deposit laws

(Continued from page 1)

Washington—will try to put it on the ballot again.

"Extremist groups won't be happy until we have forced deposit laws everywhere," Downs said.

Nine states now have such laws, including Oregon, Vermont, Delaware, Connecticut, Iowa, Massachusetts, New York, Maine and Michigan. Laws in Delaware, Massachusetts and New York went into effect this month.

Laws vary from one-tier, those which have one deposit for all containers, to two-tier, those having different deposits for one-way containers and returnable containers.

And according to a report by Stupay, the impact of the laws varies dramatically for the two systems. In the two-tier states, returnables made large gains, but then the non-returnables made a comeback and actually accounted for a higher share of sales after the law.

In single tier states, the negative effect on one-way bottles and cans is limited. In each state draught beer grew more popular.

Once the law goes into effect getting it repealed is difficult. In fact, bottlers in some states don't want it repealed after it goes into effect because of the cost factors involved.

In 1982 the industry spent an estimated \$8 million to defeat the four referendums. Stupay believes the industry will try to diffuse the issue to avoid what he calls "an enormous waste of company funds."

"I think there's a thoughtful effort to diffuse the issue and find some common ground with the environmentalists," he said.

Stupay adds that forced deposits are bad laws and often misunderstood by the voters, but they are generally easy to get support for.

"People didn't fully under-

stand it in New York state. The people were swayed by the environmentalists there. This is an easy issue to get consumer support for."

Some other states could fall prey to forced deposit laws in the next couple years. The most likely candidates are New Hampshire and Rhode Island...

air and water pollution."

Joan O'Toole, director of public relations for the Can Manufacturers Institute, said she believes the November election signifies a trend

away from forced deposit laws, but that doesn't mean the industry can forget about them.

"I think there will be states that continue to introduce bottle bill referendums, though, and I think we'll have to keep our eyes open," she said. "There is always a need to keep educating legislators and work on a grassroots level."

Stupay agrees. "New York's passage has put pressure on every other state," he said. "It's not dead as Washington and Colorado proved." Both states defeated the law for the second time this November.

"The law is very popular

when you don't offer the public an alternative like a litter/recycling law," Downs said. "It makes for a tough political situation. In Michigan, we really didn't have an alternative to propose."

Downs said he knows of no active movement in any of the nine states with forced deposits to repeal the law.

John Leader, president of the Vermont Soft Drink Association, has lived with the law in his state since 1975.

"There's not any talk about repealing it. In fact, environmentalists are working on a plastic bottle bill now," he said.

"It's not going to change. If it did, it would cost us almost as much to go back as it did to change in the first place," he added.

"The kicker is that if you don't get the bottles back, then your cost goes up. But we've established a glass flow and it's all right," he said.

In addition, Leader said the law has slowed the rate of price increases. "The prices haven't gone down here, but they aren't going up as fast," he said.

Some other states could fall prey to forced deposit laws in the next couple years. The most likely candidates are New Hampshire and Rhode Island, plus New Jersey, Maryland and Minnesota to a lesser extent, according to Downs.

"New Hampshire and Rhode Island are surrounded by deposit states and I expect a big push there," he said.

As far as the possibility of a national forced deposit bill goes, Downs isn't too concerned about it now.

"I think the defeats in the four western states have probably put the brakes on a national deposit law at this time," he said.

Forced deposits: wins and losses

Forced deposit laws have been considered in all 50 states, but they have passed in only nine states and are in effect in just six. These are:

Legislative Action

Oregon—1971
Vermont—1975
Delaware—1977*
Connecticut—1978
Iowa—1978
Massachusetts—1981
New York—1982

Referendum

Michigan—1976
Maine—1976

For every legislative victory, hundreds of deposit bills have been defeated since the late

1960s. In contrast, the referendum/initiative process, which is an option in about half the states, has been used 16 times in forced deposit history. The dates and results are:

Rejected

Washington State—1970
(511,248 for; 538,118 against)
48.8% v. 51.2%
Massachusetts—1976
(1,207,342 for; 1,228,051 against) 49.6% v. 50.4%
Colorado—1976
(346,342 for; 702,292 against)
33% v. 67%
Alaska—1978
(37,181 for; 61,677 against)
37.6% v. 62.4%
Nebraska—1978
(208,692 for; 276,538 against)
43% v. 57%
Ohio—1979
(722,120 for; 2,007,649 against)
26.5% v. 73.5%
Washington State—1979
(349,811 for; 472,822 against)
42.5% v. 57.5%
Montana—1980

(83,130 for; 205,629 against)
28.8% v. 71.2%
Arizona—1982
(223,705 for; 485,990 against)
32% v. 68%
California—1982
(3,281,803 for; 4,162,884 against) 44% v. 56%
Colorado—1982
(241,759 for; 705,923 against)
25.6% v. 74.4%
Washington—1982
(369,930 for; 891,157 against)
29% v. 71%

Approved

Maine—1976
(274,164 for; 200,200 against)
57.8% v. 42.2%
Michigan—1976
(2,154,215 for; 1,219,783 against) 63.8% v. 36.2%

Retained

Maine—1979
(36,103 for repeal; 200,229 against) 15.3% v. 84.7%
Massachusetts—1982
(790,966 for repeal; 1,142,566 against) 41% v. 59%

*The Delaware legislature removed the contiguous amendment in 1981 and the forced deposit law will take effect in January 1983.

Source: NSDA Legislative Handbook